

NO INCOME TAX!

Hon. DAVID B. HILL'S

GREAT SPEECH ON THE

Tariff Bill and Income Tax.



Delivered in the United States Senate, at Washington, D. C.,
Monday, April 9th, 1894.

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SENATOR HILL'S SPEECH.

THE political revolution which commenced in 1890 and culminated in 1892 was an emphatic expression of the popular will in behalf of certain governmental policies. Measures, and not men, were largely the issues involved in that movement. Rightly interpreted, it indicated the public sentiment in opposition to intrenchment upon the reserved rights of the States through odious Federal election laws, some proposed, and others then existing; it voiced the general demand for a discontinuance of the unwise and indefensible financial system of silver bullion purchases by the Government, instead of the coinage contemplated by the Constitution—a system equally a hindrance to the return to bimetallism as well as a menace to a sound and stable currency; it manifested the desire for a better administration of public affairs, greater economy in governmental expenditures, and the exaction of higher official standards in the execution of public trusts; it demanded a more safe, dignified, and consistent foreign policy; and it condemned that abuse or perversion of the taxing power of the Government which is known as the policy of protection “for protection’s sake alone,” and declared in favor of a tariff for revenue.

Invested with the responsibility of government, the prompt enforcement of these policies devolved upon the party in power. The wisdom of its action in discharging the duties thus assigned it by the suffrages of the people may at least be partially conceded, even by its opponents.

OUR FOREIGN POLICY.

It is not denied that some mistakes have occurred. Our foreign policy, especially that relating to Hawaii, it must be admitted, has not met the expectations of the people. A sense of humiliation prevailed when the project for the restoration of a deposed monarchy was unfolded by the Administration, and gratification ensued when its abandonment or failure was reluctantly announced, influenced largely by an aroused public sentiment.

That unfortunate contemplated policy was a blunder, and a blunder is sometimes worse than a crime. It was, however, the natural consequence which might well have been anticipated from that other mistake in placing the Department of State in charge of a Republican statesman, distinguished and estimable though he may be, whose public services have always been identified in opposition to the Democratic party, who was without sympathy for its traditions and purposes, and whose political convictions upon the disputed public questions of the day, if changed at all, are carefully concealed.

It is to be regretted that the President should not have been able to find in his own party some safe and honored statesman in whom he and his party could have placed confidence, one of Democratic instincts and training, whose management of foreign affairs would have reflected credit upon the country, and would have avoided the promulgation of that un-American policy—a departure from Democratic precedents—which was sought to be forced upon an unwilling people. In this view of the situation our opponents must accept some share of the responsibility for the blunders committed in our foreign affairs.

GOOD GOVERNMENT.

In other respects the present administration of our Government affords scant grounds for just criticism.

The various departments under Democratic control are rigidly enforcing economy, and the pledges to the people are being reasonably fulfilled. In the main, we are enjoying an era of good government.

REPEAL OF THE FEDERAL ELECTION LAW.

That last relic of *post bellum* legislation, known as the Federal Election law, has been repealed by the present Congress, thus promptly carrying out one of the important promises of the Chicago platform. The power to control all their elections without Federal interference or dictation, which the States always enjoyed from the foundation of the Government down to 1871, has been restored to them. It is a triumph for the just doctrine of State rights, under constitutional limitations; it is a tribute to the unselfishness and patriotism of the Democratic party, which, discarding the patronage incident to the enforcement of this law, and insured to it by at least three more years' control of the Federal Administration, unhesitatingly asserts its devotion to a principle, and thereby relieves the people at once from further unnecessary annoyances, useless offices, and prodigal expenditures.

REPEAL OF THE SHERMAN LAW.

The repeal of the Sherman Silver Bullion Purchase law within the first eight months after its advent to power, marked the fulfillment of another pledge by the Democratic party. It evidenced our sincerity as well as prudence. It met the just demands of public sentiment. While there were honest and respectful differences of opinion among many good Democrats here and elsewhere as to what other or further legislation ought to take the place of the repealed law, or to precede, accompany, or follow such repeal, there were never any substantial differences as to the inadequate, illogical, and indefensible

character of the Sherman law itself and the desirability of the redemption of the party pledge for its abolition.

That result has been accomplished. Whether that high degree of prosperity has ensued from such action which some of our officials anticipated and others predicted, is another and a different question not now necessary to be considered. It is sufficient that we have speedily removed the objectionable legislation which our opponents had fastened upon the country.

REVENUE REFORM.

The duty which now especially confronts us is the revision of the sum and methods of Federal taxation, consequent upon a transfer of the political control of the Federal Government from the custody where it had been lodged for thirty-two years.

That revision should be approached with circumspection, and with a realizing sense of the changed condition of the country since 1887 and 1890.

An extreme reduction of tariff duties at a time when the Treasury was swollen with a surplus of a hundred million dollars, when the country was reasonably prosperous, when all our industries were in motion, and all our working-men were employed, assumes a different aspect and presents a different question when proposed now, with a large and growing Treasury deficit instead of a surplus staring us in the face, with our industries paralyzed, our manufacturing closed, our working-men idle, and following upon the heels of one of the most disastrous financial panics in our history.

What was safe and prudent and wise then, it would be criminal folly to attempt now.

THE RECENT MONETARY PANIC.

A month prior to his inauguration, the President was forewarned of the approaching monetary panic. He con-

vened Congress six months later, when the panic was subsiding which should have been averted.

It is feared that this Congress does not keenly appreciate the awful devastation which the financial cyclone of last summer has inflicted upon the business interests of our country. It has made havoc of our prosperity, private and public. It has slaughtered private incomes. It has paralyzed private industries. It has forced bankruptcies without precedent in number and sum. It has diminished all domestic and inter-State trade, until a fifth of our railroad mileage is in the hands of receivers, and all our banks are gorged with money unemployed. It has struck down by hundreds the captains of our industry who have been wont to organize profitable enterprises, borrow capital, and lead the great army of labor.

The past savings of our skilled workmen are drawn down. They think themselves lucky to get half-time employment in these dark days; and less skilled laborers by the hundred thousand are suffering hunger, willing but unable to earn their daily bread. It is heart-breaking as a pestilence.

NO TIME FOR PARTISANSHIP.

This is no time for partisan reproaches, however just. This is no time for Democrats to say to Republicans, "Your bad laws did it." This is no time for Republicans to say to Democrats, "Your remedies would increase trouble." It is a time to fling partisanship to the winds, if that will speed the deliverance of our fellow-countrymen and revive our prostrate business interests.

This Senate is nearly equally politically divided, and it is apparent that if prompt remedial legislation is expected, then radicalism in any direction must be discarded. The critical situation demands wise and conservative action speedily secured. The extreme features of the McKinley bill must be eradicated in obedience to the people's man-

date, but patriotism alike demands that extremes in the opposite direction must also be avoided.

On the 4th of March, 1893, the President became vested with exclusive power to convene Congress earlier than the law day, for the purpose reaffirmed in his election. He decided to prolong the operation of the McKinley tariff for at least another year. The delay thus imposed upon the people's reforming zeal it is vain to regret. In the meantime, the monetary panic unfortunately precipitated upon us has not only made havoc of our private industries, but has dried up the public revenues.

THE TREASURY DEFICIT.

The size of the Treasury deficit at the close of the present fiscal year has twice been estimated by the Secretary of the Treasury.

On the 19th of December he took its measure. On the 15th of January he took its measure, the measure of the same deficit, to accrue on the 30th of June, 1894.

These two measures of the same thing, taken twenty-seven days apart, are not perfectly identical. In his annual report, the Secretary of the Treasury informed Congress of a deficit for the current fiscal year of \$28,000,000. A short month later, in his letter to the Chairman of the Senate Finance Committee, the same Secretary of the Treasury finds the same deficit to be \$78,000,000.

It may be unjust to the Secretary of the Treasury, as well as absurd in itself, to assume that suggestions in his annual report made when he thought the deficit of the current fiscal year to be \$28,000,000 stand good after his discovery a month later that the size of the deficit is \$78,000,000.

The same observation would apply to the President's message last December 4, dealing, as he said, with "existing conditions," which, in fact, have ceased to exist, and prefiguring a bill "on the lines herein suggested" (to wit,

in his message), warranted by him "to produce sufficient revenue to meet the needs of the Government," when those needs were underestimated \$50,000,000. Yet the Wilson bill, framed originally upon the theory suggested by these high officials in their annual communications to Congress, underwent no material change during its progress through the House, notwithstanding the altered situation. The theory survived its condition.

In the face of the prostration of private industries, and in the presence of such a paralysis of all general business, as the Treasury deficit attests and prolongs, this bill, as framed by its authors and as passed by the House, sought to double the deficit by discarding customs revenue and to fill the void with an income tax.

THE PROTEST OF NEW YORK.

Against such a scheme—unnecessary, ill-timed, and mischievous—suddenly sprung upon the country in the hour of its distress, un-Democratic in its nature, and socialistic in its tendencies—I enter the protest of the people of the State of New York. They utterly dissent from any proposal to get revenue for the general Government by taxing incomes. Their dissent is practically unanimous and altogether implacable.

Neither am I satisfied that the people of the country agree with the President in desiring the undebated change, sudden reversal, and complete transformation in the character of our Federal taxation, from indirect to direct, involved in the proposed plan to establish a sort of taxation not now championed by either of the parties who would have to administer it, by all parties for three fourths of a century justly believed to be inhibited, then, after trial in the war stress, denounced by one party and discarded by the other party, and found odious throughout the Northern States without distinction of party.

NOT RECOMMENDED BY THE PRESIDENT.

The recommendation in the President's annual message is cited in justification of the proposed tax. It is as follows:

A measure has been prepared by the appropriate Congressional committee embodying tariff reform *on the lines herein suggested*, which will be promptly submitted for legislative action. * * * The committee, after full consideration, * * * have wisely embraced in their plan a few additional internal revenue taxes, including a small tax upon incomes *derived from certain corporate investments*. * * * In my great desire for the success *of this measure*, I can not restrain the suggestion, etc.

It will strike the thoughtful observer familiar with the history of the Government as a strange and unusual procedure that the President of the United States should seriously inform Congress of what one of its own committee has been doing in the preparation of a bill. It might be safely assumed that Congress already had such information, unless the bill had been prepared in the Executive department, and had been submitted to the committees concurrently with the transmission of the message to Congress. In these latter days, the distinctions between the functions and the prerogatives of the Executive department on the one hand, and the Legislative department on the other, do not seem to be always observed. The truth is, that the first information which Congress had of the alleged details of the proposed bill was in the message itself.

But the strangest part of this unprecedented proceeding was that, in fact, at the very date of the message (to wit, December 4, 1893), neither the full Committee of Ways and Means nor the Democratic members thereof had agreed upon any income tax or upon other internal taxation. The President's information was therefore inaccurate as well as premature. This awkward situation was not im-

proved by the President's expression of his "desire for the success of *this measure*," being a measure not yet perfected, a bill in an inchoate state.

But aside from any question of impropriety involved in the recommendation of a particular measure, or of an incomplete measure, instead of a general recommendation of tariff reform, leaving details to the discretion of Congress, and while conceding that the President in the first suggestion of a limited income tax injected the poison which has now spread until it has developed into a general income tax, nevertheless, the latter scheme can not find any real justification in the President's message.

He does not recommend a general income tax upon all the income of individuals, but only a tax upon such limited income as may be "derived from certain corporate investments."

NEITHER BY SECRETARY CARLISLE.

Secretary Carlisle in his annual report is equally guarded, and insists upon the same limitation. His report assumed that there was no possibility of the adoption of a general income tax such as formerly existed, and, while apparently conceding the odious and inquisitorial character of such tax, and its liability to evasion, he defends a limited tax upon incomes derived from corporate investments, upon the plausible ground that "the assessments or returns need not be based upon information extorted by the law from the persons charged with their payment, *but upon the public records and the regular and authentic accounts of the corporations and companies* in which the investments have been made; and they have the additional merit of being imposed entirely upon that part of the citizen's income *which is not earned by his labor or skill*, but which, in the cases of legacies and successions, is acquired by mere operation of law, or by gratuitous bequests, and, in the case of incomes from investments in corporations

and joint stock companies, by the simple earning capacity of his capital as such, *without personal effort on his part.*"

Yet, disregarding or exceeding the recommendations of the President and Secretary of the Treasury, this bill proposes to tax all the income of an individual, whether "earned by his labor or skill," or otherwise, and to obtain the necessary information, not from an inspection of public records, but from an investigation of all his private books and papers.

A Federal income tax, whether limited, as suggested by the President and the Secretary of the Treasury, or general, as provided in this bill, is equally objectionable.

THE "FRANCHISE" ARGUMENT.

The argument that a Federal tax upon incomes derived from corporate investments may with propriety be imposed, because corporations are invested by law with valuable franchises not enjoyed by the individual citizen, would have more weight if such franchises were usually granted by Federal instead of State authority. The reverse is just the fact, however, and while State authorities might with much reason upon such grounds tax the franchises as well as the earnings and dividends of such corporations for the support of their State Governments, the Federal Government has no particular standing or equities for such purpose. It is immaterial to the general Government whether it is an individual or a corporation that is in receipt of income, as the right or propriety of taxing such income is no greater in one case than in the other, except in the rare instances where the corporation may have received its charter through national favor. This bill taxes both individual and corporate incomes alike.

In New York and in several other States a "franchise" tax is imposed upon the earnings of certain corporations, and an income tax, such as is proposed in this measure,

would duplicate the taxation already imposed, and compel the States to abandon their State taxation. This is a most important and serious objection to this feature of the bill.

In New York alone there was last year received from State taxation on the capital and earnings of corporations the sum of \$1,606,047.45, excluding, of course, the taxation of their real estate and personal property and any local taxation. In the same State there was also received last year the sum of \$3,071,687.09 from the State inheritance and gift tax. These taxes, from which the State derives these enormous sums, could not well be maintained or collected without the most extreme hardship in the event of the enactment of this bill, which taxes the same sources two per cent.

It follows that the State taxes would necessarily have to be abandoned, and the amounts heretofore received would have to be collected from real estate or in other ways. New York's interest in opposition to this feature of the proposed bill can thus be appreciated.

THE INJUSTICE NOT MITIGATED.

Neither is the injustice of the proposed corporate tax mitigated by the fact that it is against corporations rather than against individuals, because, although in form imposed upon the corporations, the amount thereof is deducted from the dividends paid to the individual stockholders, and it is virtually a tax upon individuals, for all practical purposes.

The individual stockholders are not necessarily the rich, but they usually include all classes, and frequently among them are found widows, orphans, trustees, and executors, and persons of ordinary means who have invested their all in these corporate securities, relying upon their dividends for their support.

If the suggestion for the taxation of incomes "derived

from corporate investments" was largely based for its acceptability to the people upon the well-understood popular prejudice against corporations, the proposition has a very weak moral support, because, after all, it is the individual stockholders whose dividends would be diminished and who would be seriously injured by the proposed tax.

A Federal tax upon the earnings or dividends of corporations is no more defensible than such tax upon the earnings of individuals.

THE TAX TOO LARGE.

This bill neither follows the recommendations of the President and the Secretary of the Treasury as to the kind of income tax desired, nor as to the amount or rate of the tax itself.

The President, preferring to be specific, but cautious, recommended simply "a small tax upon incomes." The Secretary suggested a tax of one per cent. The bill repudiates both suggestions, and adopts a tax of two per cent. on all incomes over \$4,000, no matter how large the excess may be.

AN INDEFENSIBLE EXEMPTION.

This exemption of so much as \$4,000 necessarily leads to considerable criticism. If an income tax is justifiable at all, it is difficult upon theory to defend any exemptions, at least of any material amount. Exemptions are merely a matter of governmental charity or favor, and not a matter of strict right, and being in derogation of a general principle, they should not be unreasonably large. If incomes are properly taxable, then all incomes should be taxed, of whatever amount; taxed proportionately, without favoritism to any individual or class. The man of moderate means should pay as well as the man of wealth, both according to what incomes they actually receive, no

more and no less, and no matter what the amount may be, great or small. This must be the correct theory of an income tax, if any it has.

Such a tax being largely of foreign origin, and having been imported into this country and injected into this bill, it might be expected that the exemptions would follow foreign precedents. Prussia only tolerates an exemption of \$225. In Germany the exemption varies from \$70 to \$600. In Denmark it is \$215, Austria \$113, and in England \$750. Yet here the proposed exemption is to be the liberal sum of \$4,000, a figure for which there is no precedent anywhere in the world. So large an exemption necessarily creates a numerous class receiving a respectable income, twice as much as is ordinarily necessary to furnish a fair living, who pay no tax whatever. This necessarily creates a privileged or exempted class on the one hand as against a tax-paying class on the other.

When real estate is taxed, all that the individual owns is taxed without the exemption of any part. So with personal property, aside from a few unimportant exceptions. So with the earnings of corporations—all are taxed, or none at all. The same principle applies to the oleomargarine and the State bank tax—there are no exemptions tolerated. But in the strenuous efforts to popularize this war tax in time of peace, every just principle of taxation is either violated or unreasonably extended.

DAVID A. WELLS' VIEWS.

The Honorable David A. Wells, of Connecticut, contributes an able and interesting article in the *Forum* of last month in opposition to an income tax. His attitude upon this question may create a suspicion of his loyalty to the cause of tariff reform in the minds of a select coterie of overzealous professional reformers with which the country is afflicted, but not in the minds of the American people. Mr. Wells was a sincere and radical friend of reve-

nue reform many long years before any politician or official selfishly sought to monopolize it as his own particular hobby, and his sentiments will carry much weight with thinking men. Upon the precise point which I am discussing, he writes as follows:

The authors of the proposed income tax now before Congress especially proclaim that the chief object sought by them in this measure is to transfer the burdens of the State from the shoulders of the poor to those of the rich. It is, therefore, interesting to note where they propose to draw the line in respect to charity, and as to the amount of property, the possession or enjoyment of which, in their opinion, constitutes riches.

If we assume five per cent. as about the present annual average profit on money, land, or other property in the United States over and above all charges and taxes, then an exemption of \$4,000, in an assessment under an income tax, would represent an accumulation, or business, or profession, of the value of \$80,000. If we take the rate at which the United States can borrow money, namely, three per cent., then an exemption of \$4,000 would represent an accumulation of a citizen invested in United States securities of \$133,333. And according to any fair interpretation of the action of the committee reporting a \$4,000 exemption, a citizen who is worth less than \$80,000 of ordinary property yielding income or \$133,000 of property invested in United States bonds, is a legitimate object of national charity; the above sums representing the dividing line in the United States between those who are entitled to be regarded as poor and those who are entitled to be considered rich. Such an assumption finds no precedent in fiscal history. Such an exemption is unwarranted favoritism to nine tenths of the well-to-do people of the United States who are abundantly able to pay any just proportion of the taxes which the Government finds it necessary to impose for its support.

No man is a freeman whose industry and capital are subject to exaction, and from which his immediate competitors are entirely exempt. Equality of taxation of all persons and property brought into open competition under like circumstances is necessary to produce equality of condition for all, in all production, and in all the enjoyments

of life, liberty, and property. And government, whatever name it may assume, is a despotism, and commits acts of flagrant spoliation if it grants exemption or exacts a greater or less rate of tax from one man than from another man on account of the one owning or having in his possession more or less of the same class of property which is subject to the tax.

If it were proposed to levy a tax of two per cent. on annual incomes below \$4,000 in amount, and exempt all incomes above this sum, the unequal and discriminating character of the exemption would be at once apparent; and yet an income tax exempting all incomes below \$4,000 is equally unjust and discriminating. In either case the exemption can not be founded or defended on any sound principles of free constitutional government, and is simply a manifestation of tyrannical power under whatever form of government it may be enforced. The great republican principle of equality before the law and constitutional law itself, alike preclude any exemption of income derived from like property.

I can add nothing to the force of these observations.

IT IS INQUISITORIAL.

An income tax is objectionable because from its very nature it must be inquisitorial in its imposition and collection. The senior Senator from Indiana [Mr. Vorhees] calls this allegation a "noisy and resounding charge." Let me tell him that it is not half so noisy as the constant vituperations which we hear on every hand from blatant demagogues who are abroad in the land loudly inveighing against the wealth of the country, and impudently demanding its confiscation through every means which their devilish ingenuity can invent.

The charge is indeed a "resounding" one! It was heard years ago in France against unjust and arbitrary taxes when Talleyrand and others declared that "every system of taxation which necessitates personal and arbitrary inquisitions for its execution is inconsistent with the maintenance of a free people." The charge has "re-

sounded " all over the world whenever despotisms have attempted to enforce similar taxes to the annoyance and detriment of the people. The charge that this tax is inquisitorial is scarcely denied even by the distinguished Senator from Indiana, and is only attempted to be palliated by the pretense that other taxes are equally so; but there is no foundation even for this pretense.

Real estate is open and above board; its value is easily ascertainable, and its taxation presents no offensive features. Under ordinary laws the assessors have no right to enter and ransack your premises. Your home is your castle, and it is sacred from intrusion. The taxation of personal property presents difficulties, of course, but visible personality may be readily reached without annoyance to the owner. The taxation of corporate property is easily effected by general inquiry and an inspection of public or other records usually accessible.

The fact that in a few States of the Union tax laws have been adopted which unnecessarily pry into the taxpayers' private affairs, and are usually harsh and offensive, furnishes no argument why they should be selected as models for the whole United States. They are exceptional in their character and should not be followed.

If they are cited to show their acceptibility to the people, I might, on the other hand, point to the fact that income taxes are so distasteful that they have been tolerated in only a very limited number of States.

Neither does the circumstance that the Government, in the collection of our customs duties, insists upon the inspection of the baggage of passengers entering the country in order to prevent frauds upon the revenue—and sometimes searches their persons—afford any justification for the enactment of an income tax, the collection of which must largely depend upon inquisitorial proceedings. One procedure is necessary and unavoidable, the other is not. One law is framed principally to reach foreigners and

strangers entering the country, while the other applies almost entirely to our own citizens. One has the safe precedents of centuries to support it, the other is the modern, or, at least, the bad invention of monarchical governments.

A municipality has the right to compel individual vaccination in the interest of the public health, but this reasonable and indispensable exercise of authority would afford no excuse for the establishment of an elaborate system for the enforced general attendance of public physicians upon individual citizens and their families. There is reason in all things, and one necessary and proper encroachment upon the absolute personal freedom of the citizen should not be made the pretext for other and more extensive ones which are obnoxious to a free people and consistent only with despotism.

ITS BAD FEATURES.

This bill compels the taxpayer, under severe pains and penalties, to make a return, under oath, of his income, whereby he discloses all his private affairs and business to the agents of the Government; and if in the opinion—*the mere belief*—of such agents, the return is false, fraudulent, or contains any misstatements, they may arbitrarily summon the citizen before them, with all his books and papers, and compel him to submit to examination under oath. They may question, cross-examine, and annoy him to their hearts' content. There is no limit fixed anywhere.

The hearing is conducted in secret; there is no tribunal or judge to regulate or check them; no one to prevent improper, impertinent, or insulting questions; no one to protect the witness in his rights—he refuses to answer at his peril. Neither is that all; they may “enter into and upon his premises,” and, presumably, into the very sanctity of his home, to obtain “from their own view,” as the statute says, any additional information they may desire.

All this is to be tolerated and sanctioned by a free peo-

ple to enable the Government in time of peace to extort from a limited class engaged in laudable occupations, who, by reason of their good fortune, their brains, their enterprise, or their pluck, have accumulated a little more of this world's goods than their fellows, when other and ample and better sources of revenue are always accessible. The provisions of this bill are dangerous in the extreme. What temptations they offer! of what abuses they are capable! what vast powers they confer!

These officials of the Government, intrusted with these enormous powers, would not hold their positions for life or during good behavior, as in European countries where income taxes are fostered, but they would be partisans, subservient and anxious to please—removable at pleasure.

What opportunities such laws and such officials would afford to an unscrupulous Administration desiring to assail and injure its political adversaries, or to build up a personal faction of its own!

This bill also provides for the official supervision of the business of corporations by requiring *all their transactions* to be spread upon their books, and to be open to the inspection at *all* reasonable times of "*any* internal revenue officer or agent." The House bill sought to restrict such inspection so that it should only be had whenever necessary for the purpose of verifying the returns made by such corporations, and at no other time; but the Finance Committee, presumably under the lead of the Senator from Indiana [Mr. Vorhees], whose zeal in behalf of this tax seems to have outrun his discretion, have amended the House bill so as to remove all such restrictions, and to place the books of such corporations absolutely at the disposal of the officials *at all times*.

ITS POWERS WILL BE ABUSED.

But it is said that these extraordinary powers and privileges may not be abused, and it is also urged that the pro-

visions punishing by a fine not exceeding \$1,000, or by imprisonment not exceeding a year, or both, at the discretion of the court, any official who makes public any information obtained by him in the discharge of his duties, are sufficient to prevent disclosures of the citizen's business and private affairs.

Experience has demonstrated that such penal provisions afford little protection to the people. There are statutes which forbid the disclosure of the contents of telegrams, but leaks are constantly discovered. Grand juries are sworn to secrecy, but their proceedings often prematurely reach the public ear. The executive sessions of our Senate are secret, but the newspapers generally manage in some mysterious way to find out all they ought to know. Our post-office officials are human and curious, and hence severe statutes do not prevent frequent complaints of the opening of letters. It is evident that the chief reliance of the citizen for the secrecy of his business and private affairs must be upon the absence of any law, no matter how strict, compelling their disclosure to any one.

The people of this country nearly everywhere enjoy the privilege of a secret ballot, but they would regard that privilege as abridged and that secrecy as absolutely destroyed if the contents of their ballot were required to be exhibited to the inspectors, although such inspectors were sworn to secrecy and a disclosure were made a penal offense. It is immaterial to me how Senators, unmindful of the personal rights and liberties of the people, may regard the conceded inquisitorial features of this bill. But it is a satisfaction to know that the best thought and the fairest minds of the nation are opposed to them.

The Supreme Court of the United States, in the case of *Boyd vs. United States* (116 U. S. Rep., 631) expressed its opinion of similar legislation in the following vigorous language:

Any compulsory discovery, by extorting the party's oath, or compelling the production of his private books and papers to convict him of a crime or to forfeit his property, is contrary to the principles of a free government.

It is abhorrent to the instincts of an Englishman. It is abhorrent to the instincts of an American. It may suit the purposes of despotic power, but it can not abide the pure atmosphere of political liberty and personal freedom.

I commend these patriotic and pertinent utterances to the attention of the apologists for this bill.

The provisions of this bill violate the spirit of the constitutional provision which declares that "the right of the people to be secure in their persons, houses, papers, and effects against unreasonable searches and seizures shall not be violated."

The appliances of compulsory examination and inspection which the bill invokes, render its provisions extremely odious, and antagonize the citizens' sacred right of privacy. The recent experiences in South Carolina illustrate the difficulties often attending the enforcement of an unpopular law.

ELEMENTS OF INJUSTICE AND INEQUALITY.

The public should not be misled into the belief that only those whose incomes exceed \$4,000 are affected by this bill. That is a mistaken idea.

In the first place, all those having incomes less than \$4,000, but more than \$3,500, are put to the annoyance of making sworn returns, and they neglect it at their peril. (See section 56.)

In the second place, it may reasonably be apprehended that some portion of the tax paid will reimburse itself by an increase of rents where the income was derived from that source. State taxes upon land regulate to some extent the amount of the rent demanded by the landlord. So poor tenants may be affected in some degree as well as rich landlords. The bill seriously affects the rights and

interests, as they have been heretofore enjoyed, of building and loan associations throughout the country incorporated under State laws. The Senate amendments do not cure the defects complained of.

The salaries of State, county, and municipal officers are exempt (necessarily so, as is alleged), while the salaries of faithful employées in private employment—their next-door neighbors, perhaps—are subject to the tax.

The professional man will feel more keenly the tax upon his salary than one whose income is derived from invested property.

At every point there is an element of injustice and inequality which renders an income tax indefensible except as a war tax. That portion of the act which provides for a tax upon live stock, wool, butter, cheese, beef, etc., and general productions from real estate, "less the amount expended in the purchase or production of said stock or produce," and which allows "necessary expenses actually incurred in carrying on any business, occupation, or profession," to be deducted in estimating the income, opens the way for evasions, virtual frauds, fictitious or extravagant expenses, overcharges, and a hundred different means whereby the income will be reduced without actual fraud or perjury, and there is no practical remedy. The enforcement of the law will descend into a system of favoritism, will lead to endless litigations, and the revenues derived will be disappointing.

IT IS UNDEMOCRATIC AND UNJUST.

Let me inquire whence came this recent and unnecessary clamor for the imposition of an income tax as the policy of the Government? Nothing was heard in its behalf on the part of either of the two great political parties in the campaign of 1892. Neither the Republican nor Democratic platform proposed any such method of raising revenues. No prominent Democrat or Republican suggested

any such measure. Its approval was limited to the platform of the newly formed Populist party, and its advocacy was restricted to Populist orators.

But no sooner was the campaign of 1892 ended than we find it seriously proposed by a Democratic Congress to steal the thunder of the Populist party by adopting one of its principles. I object to becoming a *particeps criminis* in any such larceny. I protest against the Democratic party being made a tail to the Populist kite. I deny the right of a Democratic Congress to make new principles for our party not sanctioned by its representatives in national convention duly assembled.

We must look in vain to find a single utterance in favor of the scheme of Federal income taxation in any Democratic national platform from the organization of the Government down to the present hour. Yet in spite of this record this scheme has been injected into a revenue-tariff bill (so called), and the support of the measure as a whole is sought to be made the test of our Democracy. For one I repudiate any such doctrine and decline to recognize any such test.

The Constitution of the United States may well be invoked in this discussion.

A careful perusal of that instrument shows that its framers contemplated that the revenues of the Government should be mainly derived from the duties upon imports.

It is true that the power to impose internal taxes and direct taxes was conferred upon Congress, together with the power to collect import duties, yet it was only the latter field of taxation that the States were forbidden to encroach upon.

Article I., Section 10, Subdivision 2 of the Constitution, provides as follows:

No State shall, without the consent of the Congress, lay any imposts or duties on imports or exports. * * *

This source of revenue being thus expressly and exclusively reserved for the general Government, while all other sources were permitted to remain open to the States, it indicates the intention of our early statesmen that the needs of the Government should be or were expected to be supplied practically from tariff taxation alone.

From that sole source they have always been supplied during all Administrations from the early history of the country, save during the war period, with the addition, however, since then of internal taxes upon liquors and tobacco (and one or two minor articles or sources), which, for exceptional reasons apparent to all, have been approved or tolerated. But aside from these exceptions, the policy of the Government has been uniform in favor of taxation upon imports rather than internal taxation or direct taxes as a means of supplying the necessary revenues.

PRESIDENT CLEVELAND ON RECORD.

President Cleveland in his second annual message in 1886 approves this course in the following language:

It has been the policy of the Government to collect the principal part of its revenues by a tax upon imports; *and no change in this policy is desirable.*

Yet the fact can not be disguised that, notwithstanding these accumulated evidences of Democratic sentiment, the authors of this bill in the House deliberately set themselves at work to make extreme reductions, unnecessary changes, and violent alterations in existing tariff rates—rates not warranted by existing business conditions, and lower than in the Mills bill—for the very purpose of creating a necessity for the imposition of a tax upon incomes.

DESIGNED AS A PERMANENT POLICY.

This proposed tax is not advocated as a temporary expedient; there is no limitation fixed to its duration, but it is boldly proposed as a permanent policy of the Govern-

ment; its injustice is vigorously defended, its discriminations are heartily approved, and its illy concealed sectionalism is unblushingly excused.

The Ways and Means Committee of the House, as well as the House itself and the Senate Finance Committee, refused to fix a definite term for the continuance of this tax.

It is clear that it was not designed for temporary relief merely, but if once enacted will stand, like every other portion of the bill, until repealed.

The country should not be deceived upon this subject, nor be misled by specious promises of relief not contained in the measure itself, nor indulge in the vain hope that if once established, the clamor for its continuance will soon die out. The character of the speeches made in the House in its favor, the appeals of that portion of the press which favor it, and all the reasons which are publicly and privately urged for its enactment, proceed upon the theory that it ought to become, and is intended to become, a part of our permanent system of Federal taxation. That is the goal for which its friends are struggling, and they will be satisfied with nothing less.

The plain issue which we are to meet is indirect versus *direct* taxation.

Mr. Thomas G. Sherman, of Brooklyn, a theoretical reformer, and an intelligent and earnest disciple of Mr. Henry George's single tax theory, as well as an advocate of an income tax, began his able address before the Ways and Means Committee on October 16 last, as follows:

It is high time that some form of practically direct taxation should be resorted to by the Federal Government.

It should, however, be stated that Mr. Sherman opposed an individual income tax, but favored the taxation of incomes from certain corporate investments. I have not been informed who, if anybody, favored an *individual* income tax before that committee.

We do not contend that the system of taxation upon imports absolutely prevents all inequality or injustice. It is, of course, not a perfect system. Equal and exact justice to each individual citizen is not possible under any method of taxation likely to be devised. But Federal taxations upon foreign importations—taxation upon consumption, if you please—indirect taxation imposed upon what you buy and use—is preferable to direct taxation of any kind. The fathers of the Republic so regarded it when they adopted tariff taxation as the best means for securing Federal revenues. They may have been mistaken, and possibly we are wiser than they were.

But it has proved reasonably satisfactory for over a hundred years, producing ample revenues for the national necessities, except during the crisis of war, and no political party has ventured openly to declare for its total abandonment, and to propose direct taxes in place thereof. It answers a twofold purpose, to wit: First, the direct or principal purpose of providing revenue; second, the indirect or incidental purpose of protecting home producers, manufacturers, and laborers from ruinous foreign competition.

Revenue is the primary object of a tariff, and all else is merely secondary, or incidental thereto.

I do not propose at this time to discuss the difference or the merits of the two policies arising out of the tariff question, to wit: a tariff for revenue and a tariff for protection, the one the Democratic and the other the Republican policy. These points of dispute I am not now considering, but expect to do so at a future day.

The point which I am now endeavoring to make is, that under tariff taxation in general ample revenues have not only been derived, but at the same time the industries of the country have augmented, manufactures have prospered, working-men have found remunerative employment, labor has been properly shielded from foreign competition, and the best and highest interests of the whole country

have been subverted; many of which beneficent results would have been impossible under any system of internal or direct taxation.

In fact, I am here to declare my belief that the complete substitution of internal, direct, or income taxes for tariff taxes would prove utterly ruinous to the business interests of this country under existing conditions abroad. A partial substitution at this time would be proportionately disastrous.

This bill proposes a suicidal policy when it seeks by its extreme provisions to discard numerous reasonable tariff duties, and thereby imperil many industries and create a deficiency in necessary revenues, simply for the purpose of affording an opportunity or excuse for the substitution of an income tax. There is an ample field for genuine tariff reform without a resort to such an unwise and dangerous experiment. Innumerable reductions in existing rates—reasonable and necessary reductions—are perfectly feasible, such as will not create any further deficiency nor jeopard a single industry.

WHAT IT MEANS.

The substitution of internal or direct taxes for Custom House taxation means the reduction of the wages of American workmen to the European standards. It means the degradation of American labor; it means the deprivation to our workmen of the comforts and luxuries of life to which they have been accustomed.

Deny it or disguise it as we may, no other result is possible under existing European conditions. It is a self-evident proposition that well-paid labor can not successfully compete with underpaid labor. In Europe, wages are low and labor is degraded; in America, wages are high and labor is prosperous, elevated, and dignified. The general Government being vested with the exclusive power of Custom House taxation, and the States being prohibited

from resorting to it, the Government should exhaust that field before intrenching upon others.

Let me not be misunderstood. Not one dollar of tariff taxation should be imposed except what is necessary for the needs of the Government, economically administered; but whatever those needs are, the necessary revenues therefor should be supplied from tariff taxation, and that alone, save and except the taxes upon liquors, oleomargarine, and tobacco, to which the country has long been accustomed, and which, for obvious reasons, need not be disturbed.

Such a policy is a reasonably consistent one, and should be continued. It would be manifestly unfair to the States to diversify Federal taxation. It is now condensed, simplified, and practically exclusive, and should remain so.

IT DUPLICATES TAXATION.

A Federal income tax involves multiple taxation in several States where State income taxes already exist. This bill also proposes to tax the dividends of corporations and gifts and inheritances which are now taxed under State laws in New York and many other States, thereby compelling such States to either abandon such former taxation altogether, or to enforce and sanction what would clearly be oppressive taxation. The duplication of taxes is always objectionable.

The threadbare argument is urged that wealth escapes taxation, and that it can best be reached through an income tax. If this be true, it does not necessarily require a *Federal* income tax. Let those States where wealth is believed to be insufficiently taxed reach that wealth through State income taxes or any other methods which their ingenuity can suggest, and no one outside of those States will be heard to object. Surely, States which refuse to apply the means within their power to equalize, diminish, or render more equitable their own State and

local taxation, ought not to ask the assistance of the general Government to relieve them.

State and local taxation, rather than Federal taxation, comprises the principal burden of our taxpayers, and to each State is conceded the right to frame and execute its own tax laws, whereby it can compel the wealth within its own borders to contribute whatever share of taxation it may determine in its discretion to be proper.

This is all that any State can reasonably ask. Certainly no State can consistently demand that its own prerogatives shall be encroached upon and its own revenues imperiled by the general Government in order that the State's own wealth may not escape taxation.

FEDERAL VERSUS STATE AND LOCAL TAXATION.

The records of the Census Bureau show that in 1890 the State, county, and local taxation of the several States of the Union amounted in the aggregate to \$470,476,927. The total Federal taxation (ordinary expenditures) for the last completed fiscal year (1893) only amounted to \$383,477,954.49, and including extraordinary expenditures, amounted to \$461,916,561.94. Of this last sum only \$205,355,016.73 were realized from customs. It is the Custom House taxation particularly which the friends of direct Federal taxation claim is not paid equally by the people, and is so burdensome to the poor man, and yet such taxation is not equal to one half of the State and local taxation.

WHAT STATES WILL PAY THE TAX.

From 1863 to 1873 the former income tax extorted from the people an aggregate sum of \$347,220,897.86. Of this sum the Eastern States paid eighteen per cent., the Middle States fifty-three per cent., and together they paid seventy-one per cent. New York alone paid thirty per cent. It has not been claimed that these percentages will be materially changed if this bill becomes a law.

These figures speak louder than words. They are significant of the selfish purposes of this bill, the real motives behind it, and the source or section from which the votes necessary for its passage are expected to be secured.

Further comment becomes unnecessary. I will add that I am not ashamed of the fact—on the contrary, I am proud of the fact—that New York is the wealthiest State in our Union; but I protest that this circumstance should not make her citizens the target of every vicious scheme which discriminates against her interests, and especially that the blows should not be struck by those political friends who have never appealed to her in vain when they have needed evidences of her friendship.

A STEP TOWARD SOCIALISM.

It is charged against the friends of a Federal income tax that they are artfully driving in the thin edge of a wedge to effect a forced redistribution of property.

Toward such a purpose, were it fixed in the minds of a majority of the voters, the efficiency of every kind of an income tax is undeniable, whether applied in State laws to the profit of classes, or in a Federal law to the profit of sections.

I feel bound to concede that the sincere object of the great body of the friends of a Federal tax on incomes is not an experiment in socialism, is not a swift political suicide, but is the straightforward furtherance, after great discouragement and long delay—the furtherance of tariff reform.

The choice of a pivot for tariff reform in this bill responds to the firm tenacity of the people for relief, but not wisely. The choice follows, to be sure, a notable British precedent, but that precedent is quite irrelevant for America, where Federal and State taxes present no analogy to the foreign agglomeration of imperial and local taxation.

The British kingdom is straining to-day in the pangs of decentralization. A Federal income tax would lay in the United States the great corner-stone of future centralization. The choice of some pivot of tariff reform in the United States—that is, obtaining revenue from one source in order to discard revenue from another source—is a necessity. What pivot had best be chosen is pure expediency. The British choice may have been expedient in Great Britain. An identical or different choice in the United States needs to be shown expedient here. Alone serving the purpose, or best serving the purpose, of a pivot for tariff reform, must be the test of expediency for an income tax in the United States, even by those who deem it an inoffensive and lawful Federal law.

It is obviously inexpedient, if unnecessary. Evidence that it is unnecessary for the purpose of its friends has been, and is now, offered to their consideration.

THE ENGLISH PRECEDENT.

Praises of an income tax which are quoted in the *Congressional Record* from British books will be found upon inspection to be relative to the demerits of the discarded taxes. Mr. Gladstone himself desired to renounce the income tax after it had served its term, conceding thus its injustice and inequality.

I do not misstate his position. The following letter, written by him in 1892 to a London newspaper, explains itself:

GLADSTONE'S OPINION OF THE INCOME TAX.

From the London Pall Mall Gazette.

I am not aware of any practicable method of reforming the inequalities and injustices of the income tax. For this reason, I, with my colleagues, proposed its abolition in 1874; but the country decided otherwise.

January, 1892.

W. E. GLADSTONE.

That statesman's act praises good tariff-taxation over bad tariff-taxation, and over income taxation, too. The United States can find, upon reflection, a better pivot of tariff reform, and one which will not need to be renounced for its own demerits. Praises of an income tax and theoretical arguments for it, quoted in the *Record* from the British treatises of political economy, will be found to rest on the assumption that it be the sole and single tax—that it be the exclusive means of defraying Government expense, from the highest imperial to the lowest police functions, and that it tolerate no exemptions.

All such quoted arguments are obviously irrelevant here. No British statesman of rank, so far as I know, differs from Mr. Gladstone's opinion that, as a supplementary tax, the income tax in Great Britain, where, upon constitutional grounds it is eligible, is as indefensible as it is odious in time of peace, and that there it must find its only warrant in the necessities of war.

No American statesman of rank, except Mr. Cleveland, has deemed it eligible, since our war experience of an income tax made manifest that here, too, in the Northern States, it was generally odious. It is a novelty in American politics to make its conclusions and procedures deliberately offensive. It is like making religion immoral, and urbanity noisy, in order to command and propagate them.

IT VIOLATES STATE RIGHTS.

No such Federal aggrandizement was ever projected—no such insidious and deadly assault upon State rights, State powers, and State independence, as a Federal income tax.

Mr. Calhoun would have thought it wasted breath to discuss the autonomy of States or the limits of their sovereignty under an income tax put up and put down by the Congress in Washington.

Praises of an income tax on the ground that it reaches

accumulated wealth, assumes that such wealth goes untaxed unless reached by Federal laws. The assumption is absurd.

Arguments for a Federal income tax drawn from the existence of State taxes on incomes, admit that accumulated wealth is reached without Federal laws, and confess encroachment upon State sources of revenue.

Accumulated wealth looms up large in the imagination of the foreign Socialist. His estimate of individual fortunes, published in New York newspapers, is always absurdly excessive. His moral quality is frankly betrayed in his constant preoccupation with the least noble possession of his fellow-creatures.

A better point of view for the American legislator is the fact that the total realized material wealth of the human race is computed by the best economists at less than four times its annual consumption. Every step of progress destroys wealth to recreate more. Old printing presses, old cotton-mill machines are worthless.

The constant personal redistribution of realized accumulated wealth is a commonplace of the moralists. But its physical and economical redistribution is even more swift and general. It can not escape taxation in the ceaseless consumption and reproduction which are the condition of its continuing to be wealth.

THE HOUSE ARGUMENTS.

To these income-tax arguments, sifted from the debate in the House, I pay the respect of refutation, because of my entire sympathy with the tenacious purpose to advance tax reform, which is ostensibly behind them. But I must also beg permission very respectfully to warn the devoted champions of every Democratic aspiration not to neglect principles constitutional and economic which are deep-seated in the life-long convictions of Northern Democrats, merely because of the omissions of the present Executive

to wholly share, remember, or represent them. No nonest and clear-headed man can possibly define a direct tax in terms which shall be capable to exclude any sort of income tax from the circumscription of the definition.

Nobody ever had a doubt before the war that the constitutional inhibition upon that ground alone was peremptory and conclusive. I do not quarrel with the decision of the Supreme Court in the Springer case, but the doctrine may hereafter be repudiated by the present court. Such things have happened before.

The income tax proposed by the President, or that incorporated in the House bill, or any other sort of Federal income tax, is unsuitable for apportionment among the several States according to the census of their populations, and neither pretends to be uniform, applied to all the net income of each and every citizen, nor can be. Direct taxation, by definition, making argument superfluous, is a taxation not shifted, distributed, and divided by repercussion.

A single tax on land has enlightened advocates on the ground that it would be distributed, divided, and repercussed with freedom and therefore with equity; that being advanced by the occupier of the land, it would be distributed according to the use of the land, which use is variable while universal—thus resembling in this point a tax on sugar, for example, which being advanced by the importer, would be distributed according to consumption—another form of use, variable while universal.

Direct taxation, on the other hand, of which the poll-tax and the tax on all incomes at one percentage, are perfect illustrations, is like an acid which must eat where it falls.

X Arguments for an income tax assert, moreover, that Congress is empowered to apply a rule of inequality and a principle of injustice in order to distribute the rewards of industry and thrift otherwise than they are distributed

among men acting with individual freedom under equal laws. Such a grant of power to Congress has not yet been cited. But if such a grant of power, after long litigation, were found there, or after the long process of constitutional amendments were put there, nevertheless the test first to be applied just now in the search for sources of revenue would preclude income taxation.

It is not the most immediate and most adequate remedy for the existing lack of revenues, and would not aid the revival of our prostrate industries. It is not the best pivot of tariff reform. It jeopardises genuine tariff reform for another decade.

AN UNWISE COURSE.

To double the deficit of \$78,000,000 by way of ending it; to discard the \$76,000,000 of annual revenue in order to collect twice as much in other ways; to "embody tariff reform," as the President imagined himself to be doing in his scheme to substitute direct taxes for the tariff taxes which were to be reformed; to reconstruct all the schedules instead of amending or discarding one group at a time, the worst first, and each upon its own demerits; to disturb and distress as many business men as possible, and all at once, instead of a few at a time, is not a programme perfectly matured and suited to conduct the policy and principle of tariff reform unimpaired through a period of general business prostration, public deficit, and private bankruptcy.

For my own part, as a Democrat, I prefer indirect taxation and tariff reform above direct taxes and tariff extinction. I prefer taxing foreign products rather than taxing home products. I follow Jefferson in regarding even the species of indirect taxation on home products by internal revenue war taxes as not good to be extended, and the first to be rid of when their need is past.

In the language of the Democratic national platform of 1884:

From the foundation of this Government taxes collected at the Custom House have been the chief source of Federal revenue. Such they must continue to be.

In the language of the New York Chamber of Commerce, January 12, 1894:

The Chamber of Commerce * * * believe without distinction of party lines * * * that in addition to an internal revenue tax now in force, the necessary expenses of the Government should be collected through the Custom House.

The President's proposal to invert the method of our Federal taxation runs precisely counter to the principle and the practice preferred by the founders of our Republic, and to which, after every aberration, the apostles of Democracy have led the return. But were all this otherwise, nevertheless, I would first and foremost consider how to add sufficient revenue best and soonest.

I would remember the captains of industry; I would remember the breadwinners. And if our Federal revenues, bottomed heretofore upon customs duties on foreign products, were hereafter to be bottomed upon taxes on home products, and a few incomes, I could never counsel a President or a Congress to sound the tocsin of that revolution in the black midnight following a general slaughter day of all private incomes.

THE FOREIGN PRECEDENTS.

The State Department, through our Consuls in Europe, has made a collection of income-tax laws—every hideous octopus that is sucking out the life blood of the people of Europe to support war navies and war armies—and fetches them over for model examples to this land of liberty, this continent of industrial peace. Fit models, fine examples! They have taught the draftsmen of this bill one lesson too many. They have taught the draftsmen of this bill with just what form of words to constitute a class of official

highwaymen for blackmailing or plundering every man of property in the United States. Is that harsh? Then I say that were the teachers angels, and the pupils better than the best of men, no form of words their wit could contrive would fail of spawning just that infamy. It is inherent, intrinsic; it sticks in the very nature of any Federal income-tax law whatever.

JEFFERSON'S SENTIMENTS.

Jefferson's Fontainebleau letter has been quoted in this discussion. That letter was written on the eve of the French revolution. It was written in the presence of those awful social wrongs and the political inequality, injustice, and oppression from which that historic convulsion ensued. It is actually quoted as helpful authority by men favoring an income tax, in a century, a hemisphere, and a State where exists not one of all the affecting circumstances that Jefferson's kind heart grieved over, and his philosophic mind scanned all the darkening sky for peaceful methods to relieve.

The Fontainebleau letter reveals him anew in those powerful yet winning traits which make his life and character the admiration of every American. - Indeed, the most impressive argument against an American income tax is foreshadowed from his thrilling page. It is a fit "prologue to the swelling act of the imperial theme" of the great inaugural address.

OUR AMERICAN PRINCIPLES OF GOVERNMENT.

The United States of America have hitherto received, and are now receiving from the best races of other States, nations, and empires, the tribute of a surpassing praise without precedent in history—the praise of the desire of their young men and young women to assimilate their lives to ours, and their children's blood with the blood of our children; the praise of their desire to escape the burdens of past and future wars and be at peace; the praise of their

desire to escape from the inequalities of privilege to an equality of rights; from European thrones, dominations, hierarchies, classes, and castes, political, ecclesiastical, or social, to an American individual liberty and civil equality, to our forms of Government, founded upon popular elections, expressed in written constitutions, embodied in a permanent union of permanent States.

It may be impracticable that our distinctively American experiment of individual freedom should go on. Its novelty, as known by experience to the earlier emigration, can hardly be expected to receive full appreciation even from the most intelligent immigrants of the present generation. Our separation from the traditions and habits of thought of the Old World was so complete that the Declaration of Independence ratified an old fact rather than accomplished a new fact. The Constitution of the United States confirmed us in the possession of that independent tradition and a complete individual freedom.

The States which it united, the Federal Government which it established, are chiefly remarkable for their inhibitions of power, for their limitation of granted powers, for the strength and multiplicity of their safeguards of individual freedom. The sovereignty of the people, incontestible, possessed, fresh like the dew of morning in the beginning of our day, and not like the dust and sweat of centuries of strife, was here first asserted and made manifest throughout the whole area of its jurisdiction, in its reservations and self-denials, in those limits set to its control, in those fortified safeguards of civil equality and individual liberty.

Perhaps it is a dream that such a paradise as we have possessed could be secure from change. The pick of the foremost races of mankind still are streaming hither, but now they bring another tradition. They come from that group of crowded, contiguous armed camps called Europe. They have not had training for generations in self-govern-

ment. Some few have had a little training in getting possession of large governmental powers, existing and long used in disregard of popular rights. They have not had the habitude of popular sovereignty uncontested, popular rights enjoyed like air and water; they have not lived in civil equality and individual liberty like ours, guarded with eternal vigilance against the very governments our fathers' hands and our own have made, and put bounds to, and unweariedly repressed.

Across the water, among European peoples, human freedom enlarges, if it is enlarging, slowly. Out of armed camps not yet has grown a civil polity which refuses powers to the State in order to guard freedom for the man. State powers grow. If individual freedom anywhere is broadening there, its growth is subject to an inheritance from which we completely, at one stroke, escaped, and to hazards hitherto unknown by us. The growth of human freedom in Europe is subject to hazards from extensive, minute, searching, inquisitorial governmental powers, existing, organized, and predominant.

It is that sort of an inheritance, not our New World sort, which the peoples of Europe are called to administer, as one by one, after long wrestling with intermarried dynasties, through wars and revolutions, they succeed to the substance of sovereignty. Interferences with individual freedom are customary, and breed their own tradition. The Governments are of militant and not industrial pattern. Their machinery is organized for repression; has had interference and control for means and ends. That which was and is the interest of monarchies and aristocracies, in becoming the inheritance becomes the temptation and the hazard of their democracies.

THE WEAPON OF MONARCHIES.

Taxation of all sorts, taxation at every turn, taxations upon incomes, with all the necessary bureaucracy, ma-

chinery, and inquisition, has long been the appropriate and most perfected instrument with which European governments have multiplied their functions and prolonged their supervision, their control, their repression of the people's doings. While the founders of our democratic Republic, hiding the tax-gatherers in a few seaboard Custom Houses, bid them remember they were the people's servants, and stick to an inoffensive obscurity, the tax-gatherers of Europe become a fat official class, leaders of the local society, parasites, pupils, and servants to every occupant of a throne.

The leaders of the democracies who are approaching sovereignty slowly and clutching for the handle of every power whose edge they have felt, dreading the reaction that has followed confiscation of privileged estates, perceive, or think they see, in the taxation of incomes a safer and attractive weapon of redress. Instead of the settled supremacy here of man versus the State, there we see survivals of an earlier, almost a barbaric phase of human progress, and the war of a class—the poor and the unprivileged—to capture the State in order to make reprisals upon another class, the privileged and the rich.

Taxation is even the favorite organ of more advanced Europeans who would bottle into the political and corporate structures of society those innumerable, limitless fountains of social beneficence which here have found their widest, deepest flow through free lives from the free hearts of free men.

So it happens that local troubles find a passing phase of the secular progress of democracy in the Old World take on the aspect of socialism, whereas in this new world of the United States our democracy has always been freedom.

OUR EUROPEAN ADVISERS.

The non-migrating European feels a parental superiority and duty toward us.

European professors announce to American professors, who publish and believe it, the birth of a brand-new political economy for universal application. From the midst of their armed camps between the Danube and the Rhine, the professors with their books, the Socialists with their schemes, the Anarchists with their bombs, are all instructing the people of the United States in the organization of society, the doctrines of democracy, and the principles of taxation. Little squads of Anarchists, Communists, and Socialists cross the ocean and would have us learn of them. No wonder, if their preaching can find ears in the White House.

An editor residing in Europe, of Hungarian birth, in his New York newspaper advocates an income tax designed ultimately to put upon nine States between Cape Cod and the Mississippi seventy-seven per cent., and upon New York alone thirty per cent. of the expenses of the Federal Government.

That taxation of incomes in the United States would be sectional, and class taxation is precisely why it commends itself to some men of the European tradition. Their advocacy is sincere, and has one small excuse, that through our own stupidity and negligence some parts of our tariff schedules have been shaped to enrich a few Carnegies with texts for sermons on triumphant democracy and the best use of wealth.

If McKinleyism is socialism for the benefit of the rich, and income taxing is socialism for the benefit of the poor, no true American Democrat will look to the hair of the dog to cure his bite. American Democrats will reject socialism of both kinds.

THE AGGRANDIZEMENT OF GOVERNMENTS.

It is not to be overlooked, moreover, that the chief cost of our war of secession is accruing now, not so much in the pension list as in the usual war expansions and war

aggrandizements of governmental power first usurped in the name of patriotic necessity, defended in the unrighteous decisions of courts, unrenounced by Congress, and tolerated because customary by the people.

Yet, if all the expense of the Federal Government could be assessed upon the income of two hundred and fifty multi-millionaires who would never know the difference, and if all their fortunes had been acquired otherwise than by free competition under equal laws, there could be no compensation for wrecking our American experiment of individual freedom by giving to the officers and tax-gatherers of the Federal Government contact with the contracts, business, or property of individuals within the States.

In the official class our fathers saw the natural magnifiers of Government and expanders of its functional areas. They eschewed its systematic domination and espionage. They gave the Federal tax-gatherers no mission to draw up all things to a central head at this capital. They virtually dissolved that Old World institution, the standing army of tithe-takers. They eschewed direct taxes to punish thrift and penalize prosperity. They derived the revenues of the Federal Government from taxes levied at the seaboard upon things of foreign origin brought for consumption here. Thus avoiding every risk of duplicated, or overlapping taxation, they left to the undiminished State, city, county, neighborhood, authority, also undiminished all the great sources of revenue.

Europeanizing this America, the lovely cynosure of nations, would soon make it worth no man's while to climb the sea-wall of our paradise. Its natural, almost unavoidable invasion by foreign traditions, unfamiliar to our vital air of perfect liberty, is already great, continuous, increasing. While we welcome the immigrant, let us keep safe the inestimable, though unvalued, jewel of our great State. If we owe that which is unique in our American freedom to that which is unique in the partition, the limitation, the

inhibition of Government powers, let us now stand fast for the confines of that sovereignty "within whose circuit is Elysium."

THE PRACTICAL QUESTIONS.

The House bill created a deficiency in the revenues necessary for the Government.

It then became the duty of the Senate Finance Committee to supply that deficiency, which they proceeded to discharge. What were the questions which presented themselves to that committee at the outset of their endeavors, and which now confront the Senate in its final action?

I conceive them to be these:

What imported articles, if tariffed, will best and soonest end the growing Treasury deficit, and so remove a chief hinderance to the release of capital and employment of labor? Can one or more be found from which revenue will be immediate, continuous, sufficient, of unquestioned legality, so as not to be delayed by years of strife in the courts, of use and distribution universal, if possible, so that the burden may be least felt? Can the revenue therefrom be collected in the lump at the seaboard, and final payment made by 66,000,000 consumers at the most convenient time and way, namely, just before consumption in a small addition to its price?

Can the whole addition to the price of the tariffed article beyond its price if not tariffed, being all the tax, go to the Federal Treasury, without abatement, stop the growing deficit, and release the deadlock of our industrial energies? I would hazard no steps in the mere revision of taxation except secure and solid steps, each one justified by the result of the previous step, and accompanied every one by the confidence of the mass of the people, instead of by their dread and fear. If my counsels were heeded, I would surprise and satisfy the country by the conservatism of our progress in revenue reform. The McKinley bill

lost the country to our opponents by its extreme features in one direction, and we should avoid the opposite extreme.

TAX ON CONSUMPTION.

“Tax on consumption” is another current phrase that shuts off light. It puts blinders on men and prevents their seeing how many considerations should have weight in choosing a tariff tax, and that if a tax be a tax on consumption, that is no reason for rejecting it, even if there were twenty good reasons for rejecting it on other grounds.

All tariff taxes, and ninety hundredths of all possible internal revenue taxes, are taxes on consumption. The time of consumption varies. An anchor may take twenty years—an orange two minutes. Just as the correlative of buying is selling, just as the counterpart of money is commodity, so the correlative of consumption is production, and in each of these two correlatives is the other's being, end, and aim. It is to consume that we produce; it is to produce that we consume. Neither process can be stayed, yet a man live, or a State, or the race.

Whereabouts in the eternal round shall we tap for taxation?

How plain it is now, when a mere phrase no longer shuts off vision, that, for purposes of taxation toward the public expense and general welfare, consumption should be tapped and not production. Increased production of whatever is good and necessary for consumption is palpably everybody's interest. Other things being equal, price falls as production increases, making consumption less costly. Wants are satisfied by production, and nobody can contract himself out of everybody's similar interest in its increase.

But there is no such universal and similar interest of everybody in anybody's consumption. That is the individual's affair, and his consumption offers the least injurious point of taxation for him in every individual case.

Another merit of taxes on consumption is that they are surmounted in detail, and paid at the will of the consumer in the enhancement of price. If noted, they are self-assessed, with the least inconvenience at the best time, in the smallest sum, or they are declined and avoided without illegality.

If a thing were homogeneous, and its consumption were universal, if its bulk were considerable, but its cost small, such qualities combined would make that thing the most perfect distributor, through voluntary consumption, of an equitable taxation. Assuredly, in our Federal Government, we may well regard a distributive equality as the best character of its taxation, leaving to State, municipal, and local taxation exemptions of burdens which, as varying from the general mass of our citizenship and property, or for reasons apart from revenue, or for considerations other than common and equal to all, local authorities with local knowledge, and closer watch-care for any exceptional purpose may impose.

THE HOUSE VERSUS THE SENATE.

The Finance Committee, in their effort to modify the House bill so as to realize a *sufficiency* rather than a *deficiency* of revenue, selected sugar as one of such articles deemed proper for tariff taxation, and provided for a moderate duty thereon. I do not question the wisdom of their present action. But such conclusion should have been followed by an elimination of the income tax rendered doubly unnecessary by the imposition of a sugar duty.

It is difficult to reconcile the House bill with correct principles of revenue reform or with the previously expressed sentiments of some of its authors. The cultured Chairman of the Ways and Means Committee [Mr. Wilson] in his article published in the *North American Review* of January last, criticising the McKinley bill, said as follows:

Raw sugars were our chief revenue-producing articles on the customs list, and so it (the McKinley law) wiped out

the duties upon them with the pletuous cry of "a free breakfast-table for the working-men." *Both these two (tobacco and sugar) were, in a just and proper sense, revenue taxes.* The tobacco tax should not have been touched, because it went directly into the Treasury from the pocket of the taxpayer, and was burdensome upon no one. The sugar tax might very properly have been reduced, *but should not have entirely abolished*, because of all the items in the tariff it carried the largest proportional amount of what the people paid into the Treasury.

Yet the House bill, which bears Mr. Wilson's honored name, actually followed the McKinley bill in rejecting a duty upon raw sugars.

In that same article Mr. Wilson mildly advocated a corporate income tax, but did not favor an individual income tax. In speaking of the latter, he admitted that it would be "universally evaded" and "easily lend itself to fraud, concealment, and perjury," and its administration would be "necessarily accompanied by some exasperating and some demoralizing incidents." He favored a corporate income tax because "*such a tax would not be a tax upon individual thrift, energy, or enterprise*, but in the main upon the earnings of invested capital."

Mr. Wilson, in his eloquent speech in the House on February 1 last, admitted that he "had some doubt as to the expediency of a personal income tax at this time," and expressly stated that he "did not concur in the policy of attaching an income tax to the Tariff bill."

Yet in spite of his own personal judgment, and evidently sincere protestations, an individual income tax—which taxed not only "invested capital" but also "individual thrift, energy, and enterprise"—was actually attached to this Tariff bill, and Mr. Wilson was persuaded to support it.

NO CLASS SHOULD PAY ALL THE TAXES.

I have no patience with the demagogic clamor which is constantly demanding that the rich shall pay all the taxes.

Those who thoughtlessly repeat this cry need to be reminded that this Government is not a plutocracy, but a Republic. Here manhood suffrage almost universally prevails, and property qualifications for political positions of honor and trust are nearly everywhere prohibited. The highest positions in the land are open to the aspirations of the poorest and most obscure youth anywhere to be found.

It is fitting that it should be so. But the poor man who owns no real estate or personal property pays nothing directly toward State, county, or municipal taxation—nothing toward the free schools which his children attend, nothing toward the maintenance of the highways over which he travels, nothing toward the expenses of the courts where his rights are vindicated, and his wrongs redressed, nothing for lighted streets, police protection, public hospitals, jails, or almshouses, and nothing for the church at which he worships, because here we have no established religion; and if it were not for Custom House taxation—taxation upon consumption—he would pay not a farthing toward the support of the Government which protects him, and under which he enjoys the blessings and privileges of a free and independent citizen.

It is through this much-abused system of tariff taxation—much abused by its enemies, and misused or carried to extremes sometimes by its friends—that we are enabled to equalize somewhat the burdens of government. It may be safely asserted as an equitable principle, involving no hardship to any one, that citizens without ownership of real estate or taxable personal property, constituting the most numerous class in every community, and who pay no State or local taxes, ought to contribute something toward the expenses of the General Government under which they live; and to enforce the performance of such patriotic obligation the system of indirect taxation based on duties upon foreign imports affords the least offensive method.

If the contention that the rich should pay all the taxes,

and the poor be exempt therefrom is well founded, then it may well be urged that the rich should monopolize the suffrages and offices of the country.

The very fact that every citizen is obliged to contribute something, no matter how little, toward the expenses of government whether he owns property or not, fortifies his right to the elective franchise and augments his claim for political preferment. He should regard it as a privilege conferred upon him, a shield against political ostracism; it increases his dignity and influence, and he naturally takes a keener interest in public affairs. The true welfare of the community is subserved by this system of indirect taxation, which reaches all but oppresses none.

I am opposed to any income tax which wholly or in part proposes to supersede this wise and useful method of taxation.

In the year 1875-76 a commission of most distinguished and reputable gentlemen, appointed by the Governor of New York, reported to the Legislature of that State in favor of a scheme of municipal government, whereby only those who owned property and paid local taxes should be entitled to vote for the municipal officers vested with the control or disbursement of public funds.

It was plausibly argued that citizens who contribute nothing to the support of the municipality ought not in common fairness to be permitted to control its improvements, to authorize its public works, or to spend its revenues, while the class who pay all the municipal taxes, if in the minority, are compelled to acquiesce. The argument, if carried out to its legitimate conclusion, would favor a plutocratic, rather than a democratic, form of government, and additional weight would attach to it if citizens who pay no local taxes should also be exempt from all Federal taxation.

It is a significant fact that the Constitution, which requires no property qualifications, and recognizes manhood

suffrage, should at the same time provide for tariff taxation as a source of revenue which is set apart exclusively as the property or function of the General Government, and conveying the idea that such suffrage and indirect tariff taxation were intended to be inseparable—one to mitigate or to justify the other.

THE POPULATION VERSUS THE TAXPAYERS.

The Comptroller of the City of New York semi-officially informs me that the number of individual taxpayers in the city of New York is about 109,000. Yet that city has a population of 1,801,739 according to the State census of 1892, and of 1,515,301 according to the Federal census of 1890.

The disproportion between taxpayers and population may not be so large in some other cities, but it is believed that in almost every city and section of the country the population is ten times greater than the number of individual taxpayers. The fact that nine tenths of our population pay nothing directly toward State, county, and local taxation adds force to the argument that they should continue to be reached indirectly through tariff legislation.

NO NEED OF AN INCOME TAX.

The next point which I desire to submit is that the necessities of the Treasury do not require an income tax. This proposition can be easily and clearly demonstrated.

The Secretary of the Treasury in his annual report estimates that the amount needed for the support of the Government for the next fiscal year will be \$448,306,789.93. He also estimates that *upon the basis of existing laws* the revenues for the same period will be as follows:

From customs	\$190,000,000 00
From internal revenue.....	160,000,000 00
From miscellaneous sources.....	20,000,000 00
For postal service.....	84,427,744 44
Total estimated revenues.....	\$454,427,744 44

Permit me to observe at the outset that this (Wilson) bill as it passed the House discarded existing tariff revenue to the amount of \$73,680,448.80, as accurately figured by Treasury experts. Senator Voorhees in his speech states the amount to be \$76,670,000, and for the purposes of this discussion we will assume the latter amount to be correct. This large reduction created a deficiency in the amount absolutely necessary to be realized for the support of the Government. The Ways and Means Committee recognized that fact, and in their report to the House accompanying the tariff portion of this bill, declared that they intended thereafter to provide "internal-revenue taxation, which will make up any deficit of public revenue." (*See their report of Dec. 19, 1893*).

Thereafter, and before the bill passed the House, the income tax (\$30,000,000) and an additional tax on spirits (\$10,000,000) were added; but even this increase left a large deficiency, according to then official estimates.

Yet many overzealous friends and impatient newspapers demanded that the Senate should *immediately* pass this bill—with its conceded defects—exactly as it came from the House, regardless of the embarrassment to the Government which it might hereafter create.

With them a surplus or deficiency was an entirely immaterial consideration.

The Senate Finance Committee, realizing the insufficiency or inadequacy of this bill, proceeded to amend it by making provision for additional revenue. The able Chairman of that committee, in his recent speech, said:

The criticisms which assailed the bill as it came from the House *because it created a deficiency* in the Treasury, no longer apply. We present a measure full freighted with revenue for every call that can be made on the Republic at home and abroad, and with a surplus besides of \$29,389,245.

According to this statement, the bill has "jumped out of the frying-pan into the fire." From a deficiency there has arisen an immoderate surplus. One extreme has been succeeded by another. The committee made many changes, taking sugar, iron, coal, lead, and other articles from the free list and making them dutiable, and providing for a tax upon sugar estimated by official experts to realize \$41,822,623.61, and an additional tax on spirits from which \$10,000,000 is anticipated. Yet, notwithstanding these large additions of revenue sources to the bill, the committee still retained the income tax.

Let us see how the figures now stand. Secretary Carlisle's estimate in his annual report was as follows:

Expenditures.

Civil and miscellaneous.....	\$86,795,460 92
War.....	47,173,203 05
Navy.....	27,875,914 02
Indians.....	6,931,156 61
Pensions.....	162,631,570 00
Interest.....	26,500,000 00
Postal service, &c.....	90,399,485 33
Total.....	<hr/> \$448,306,789 93

Here are the revenues expected to be realized under this bill:

Receipts.

Internal revenue (under existing laws).	\$160,000,000 00
Postal (under existing laws).....	84,427,766 00
Miscellaneous (under existing laws)...	20,000,000 00
Customs under pending bill, as estimated by Treasury experts, including \$41,822,631.61 for sugar duties.....	163,361,000 00
Additional internal revenue to pending bill, as follows:	
Income tax.....	30,000,000 00
Spirits.....	20,000,000 00
Cards.....	3,000,000 00
Total.....	<hr/> \$480,788,766 00

Summary Statement.

Receipts.....	\$480,788,766 00
Expenditures.....	448,306,789 00
Balance.....	<hr/> \$32,481,977 00

These figures thus show an excess of revenue over expenditures of \$32,481,977, being \$3,092,732 larger surplus than admitted in Senator Voorhees's official statement.

They establish the fact that the proposed income tax, estimated at \$30,000,000, is not required for any legitimate purposes of the Government.

An amendment to the bill striking out that tax would still leave a surplus of \$2,481,977.

Besides, it is now apparent that the estimate of \$162,-631,570 for pensions contained in Mr. Carlisle's report was inaccurate, and may be safely reduced to \$140,000,000 or \$145,000,000. Senator Voorhees's speech virtually concedes as much, and his own statement of the sum reduces the amount required to \$145,000,000 (see *Congressional Record*, volume 26, No. 92, page 4,157), being \$17,631,-570 less than previous estimates, which sum added to the \$32,481,977 surplus before mentioned makes a total surplus of \$50,113,547 under this bill as amended by the Finance Committee.

Upon reflection, it may be confidently asserted that the pension expenditures for the next fiscal year will not exceed \$140,000,000, as there has been a steady decrease of late under the present vigilant administration of our pension laws. The expenditures for the first nine months of the present year have been only \$107,151,496, and at that rate for the remaining three months the amount for the whole year will be only \$142,858,661. A conservative estimate, therefore, would deduct the further sum of \$5,000,000 (over and above the \$17,631,570 previously deducted) from the amount originally announced, which should be added to the surplus already assured (\$50,113,-547), making a grand total of \$55,113,547. Mr. Edward Atkinson estimates that the amount required for pensions for 1894-95 will not exceed \$135,000,000.

The situation, then, may be summarized as follows:

Receipts under Senate bill.....	\$480,788,766
Expenditures for fiscal year 1895.....	425,675,219
	<hr/>
Total surplus.....	\$55,113,547
Deduct income tax	30,000,000
	<hr/>
Surplus without income tax.....	\$22,113,547

If Mr. Atkinson is correct, then \$5,000,000 more may be added to this surplus.

Two points should not be overlooked bearing upon the questions of increased revenues: First, that under these figures, no allowance has been made for the possibility of increased importations under the reduced duties: Second, no allowance has been made for the probability of such increase under anticipated revived conditions of trade. Neither of these important considerations can well be ignored.

The estimates of importations anticipated under this bill are based upon the actual importations during the last complete fiscal year ending June 30, 1893. The extreme duties imposed under the existing McKinley law during that year are alleged to have largely prevented importations which would otherwise have been received, or at least been possible under lower duties. Of course, enormous duties—oftentimes styled prohibitory duties—tend to prevent importations, while experience has shown that frequently the imposition of lower duties has increased the revenues by materially increasing the importations.

Commercial depression naturally diminishes importations, as it blocks the wheels of trade, and invites economies of every character. The latter half of the fiscal year 1892-93 was largely affected by the monetary panic, and it is not unreasonable to believe that the business disturbances incident thereto may have materially diminished the importations from what they otherwise would likely have been.

No official nor semi-official estimates have been furnished us—nor have I undertaken to make any figures at this

time—of the increased revenues which may reasonably be anticipated under this bill, as now amended, on account of the two considerations which I have mentioned. It is sufficient, however, to declare that large increases of revenue are probable, which will swell the surplus to huge proportions if the income tax or the sugar tax shall still be retained. Neither have I ventured to consider the economies and reforms which are likely to be instituted in the various departments of the Government and which are always probable under a Democratic Administration, from which large reductions in expenditures may be expected.

Mr. President, these figures which I have submitted speak for themselves. They demonstrate that the only plausible ground upon which the income tax was first sought to be imposed, to wit, that it was actually needed to meet the necessities of the Government, has been thoroughly exploded.

This is not my individual conclusion alone. The country so regards it.

Mr. Edward Atkinson, of Massachusetts, a distinguished political economist, in a recent article to the *Boston Herald*, in speaking of the Senate amendments to this bill says:

The pretext that an income tax may be needed to cover a deficiency that would otherwise occur, therefore falls to the ground.

Concerning this tax he then adds,

that, economically considered, I deem it a war tax of last resort when all the other sources have failed.

If in the face of these facts—if in the light of these figures—if in spite of the honest and sincere opposition which this tax naturally engenders from the people of that great section of the country which I have the honor in part to represent on this floor—a people as patriotic, as loyal, as generous, and as philanthropic as those of any other section, I repeat, if notwithstanding these things

which ought surely in common fairness to lead to the elimination of this obnoxious feature of this bill, its retention shall still be insisted upon by the unwise, and misguided, and assumed champions of tariff reform in this Congress, and defeat shall await the whole bill, let the responsibility fall upon the heads of those where it properly belongs.

A DEFENSE OF NEW YORK'S BUSINESS MEN.

I listened the other day with considerable interest to the distinguished Senator from Indiana in his fierce denunciations of the people in this country who have been fortunate enough to accumulate a competence. He nearly exhausted the vocabulary of abuse in the anathemas which he hurled against them.

He rebuked their "narrow and corroding selfishness;" their "dangerous pretensions and intolerable arrogance;" he described their "brutal dictation;" he upbraided "their unjust, relentless, unsparing, and insolent" conduct; he pictured their wealth as the "illegitimate offspring of governmental paternalism," and characterized them as without "gratitude, or love of country;" he imputed to them an intention and willingness to commit perjury and other crimes "for which the convict stripes of the penitentiary are the only punishment," and then, having summarily adjudged them guilty without court or jury, he declares them to be "fit associates for thieves, house-breakers, forgers, and cut-throats," and not satisfied with this terrible humiliation which he inflicted upon them, and notwithstanding his well-known amiable and forgiving disposition, with one fell swoop he consigned them all "to everlasting hell."

Then, Mr. President, he calmly and seriously said to us: "I am loath to say these things." He need not have given us that assurance; of course, we all keenly realized it. We knew with what reluctance he assumed his un-

pleasant task, and with what lack of eagerness he embraced the afforded opportunity. Mr. President, these violent and unseemly denunciations—these arguments, if they can be dignified as such—may answer for the hustings of Indiana, but I regret to hear them in the Senate of the United States.

Notwithstanding this terrible arraignment of the men of wealth, to which I have briefly alluded, I venture to speak a few words in their defense. I speak more especially of the men of means of my own State. I can not, of course, speak for those of Indiana—they may be all that they are painted by the senior Senator from that State. While, however, I doubt that fact, I have such respect for him and his statements that I can not safely contradict him. The men of wealth of New York, as a general rule, are among our best, most esteemed, and reputable citizens. They are not the vile rascals they have been depicted, and their riches have not been acquired by questionable means, governmental favors, usury, nor extortion.

Some inherited their wealth from honorable ancestors, others obtained it by fortunate investments, others by great business ability, tremendous industry, and remarkable sagacity. They have largely contributed to the greatness and glory of the State, building up its industries, augmenting its commercial supremacy, sustaining its finances, and assisting its great and varied undertakings.

The strong and solid financial institutions which they control, the great life and fire insurance companies which they manage, the admirable loan and trust associations which they direct, the magnificent lines of railroads which they operate, not only in New York, but elsewhere, the splendid manufactories which they conduct, wherein tens of thousands of working-men and women are employed in honest labor, the immense shipping interest which they represent, the tremendous wholesale and retail establishments of trade which they maintain, and the hundreds of

other business enterprises of vast magnitude which they honorably and successfully manage, are the evidences of their ability, their genius, their prudence, and their integrity.

The institutions of learning which they have founded, of which Cornell University, Vassar College, Cooper Institute, Vanderbilt University are conspicuous instances; the public libraries which they have endowed, of which the Astor Library, the Lenox Library, the Tilden Library are notable examples; the free hospitals which they have instituted, of which the Roosevelt Hospital, the Arnot-Ogden Hospital, and scores of others throughout my State which do not now occur to me—all these benefactions attest their widespread and noble generosity, and disprove the contemptible charge of their supreme "selfishness."

Whenever famine, pestilence, or fire has afflicted their countrymen in any locality or section of the Union, the wealthy business men of New York always speedily came to the rescue and liberally responded.

In great political campaigns, when the life of political parties has been deemed to be at stake, even Indiana and some portions of the South have not refused assistance from the wealthy partisans of New York.

When the nation's credit is in peril, and funds are needed to meet the daily wants of its Treasury, and it must borrow from its citizens, where else except to the bankers of New York does your Secretary of the Treasury with confidence apply?

When the country's very life was in danger, when the fate of the Government hung trembling in the balance, when money was sorely needed to defend the Union, what subscribers to the nation's securities more quickly and cheerfully responded in the hour of emergency than the moneyed men of my State?

Mr. President, I need say no more. This speaking in defense of wealth is a new rôle to me. The record of my official life shows that my public utterances as well as services have usually been in other directions—in defense of the poor, in vindication of the oppressed, and for the amelioration of labor. I have no entangling alliances nor particular sympathies with those at whom this income tax is principally aimed; they have never been any especial friends of mine. But I trust that I am fair-minded and

broad-minded enough to defend any class of my fellow-citizens—rich or poor, high or low, white or black, native or naturalized—whose fair fame is unjustly assailed, or whose rights are threatened, and whose interests are endangered by what I believe to be hostile and vicious legislation.

I have yet to learn that poverty is a cardinal virtue, and that wealth is an abominable crime. All classes have their rights, and one class must not be permitted to encroach upon the other. The demagogue who seeks to stir up class prejudices and class resentments in order to win the gratitude or the applause of the mischievous and the unthinking who are essentially his dupes, deserves only execrations at the hands of all right-minded men.

THE TILDEN INCOME-TAX CASE.

A moment since I mentioned the Tilden Library. This reminds me of the fact that the distinguished citizen and Democrat—whose memory we all revere—Samuel J. Tilden, one of the wealthy men of New York who generously donated his millions to the establishment of a great free public library—a portion of which fund, however, it was deprived of through the technicalities of the law—was himself the victim of the injustice, the oppression, and the persecution permissible under an income tax.

We have not forgotten the annoyances to which this venerable apostle of Democracy was subjected, the opprobrium which he endured, the bitter litigations and prosecutions which he encountered at the hands of a few unscrupulous political opponents vested with a little brief authority, in their pretended enforcement of the law, endangering his feeble health and imbittering his old age.

It was not enough that he had been deprived of the Presidency, to which a majority of a quarter of a million of the popular vote had desired to elevate him—deprived because of the crimes of fraudulent and purchased returning boards in three States—but he must be branded and denounced as a wealthy and selfish politician seeking to fraudulently evade the payment of his just share of governmental taxation.

And now, within less than ten years after his lamented death, we are told by these new apostles of Democracy that this Populist rider to a revenue tariff bill, with all

the enormities and inquisitorial features which pertain to it, is the very quintessence of modern Democracy, and without which all else is valueless.

THE TRUE ENEMIES OF TARIFF REFORM.

The enemies of tariff reform are those who imperil the passage of this bill by arbitrarily insisting upon the retention of an income tax therein. They refuse to present a separate measure embracing this feature. They even decline to fix any date—one, two, or three years—when the income tax shall cease, but they seek to incorporate and establish it as a permanent policy of the government.

They shut their eyes to the fact that a believer in tariff reform is not *necessarily* a believer in an income tax. A tariff tax is altogether a different matter from an income tax. They are neither identical, homogeneous, nor consistent with each other. Tariff reform means tariff reduction—not tariff extinction, nor direct, nor internal taxation. These widely divergent methods should not be confused nor conglomerated. The first notable effort for tariff reform since the war was embodied in the Morrison bill; but there was no suggestion of an income tax.

Then came the famous tariff message of President Cleveland, which simply invited a reduction of tariff duties to prevent a further surplus, but there was no recommendation for the restoration of war taxes, to wit, taxes upon incomes. Then followed the Mills bill, which passed a Democratic House of Representatives, and was distinctly approved by the National Democratic Convention of 1888, but nothing was heard of any income tax. But now, at this late day, after a third party has adopted it as its shibboleth, we are told that it is the *sine qua non* of tariff reform and true Democracy. I deny the right of any man, without the sanction of a national convention, to add this new tenet to the Democratic faith.

OUR DUTY.

Mr. President, I do not need to be reminded that it is the duty of the present Congress to revise the tariff. I appreciate that fact as keenly as any Senator here. We are pledged to that course; the country expects it. We are pledged to a tariff for revenue; we are not pledged to pass an income tax. We are pledged to pass a tariff

measure which will produce sufficient revenue for the support of the Government, not one insufficient for that purpose.

We have no moral right to deliberately discard seventy-six millions of tariff revenue, and thereby create a deficiency to be supplied by other and more objectionable taxation. That is not reform; it is folly, it is impotency, it is scarcely less than criminal under the existing conditions of the country. It is experimenting with and hazarding all our vast and varied business interests now demanding our watchful care.

MY POSITION BRIEFLY STATED.

I stand ready to support any reasonable measure for tariff reform framed within the lines, and based upon the principles which I have here partially indicated, and which were fully set forth in my speech in opening the political campaign in Brooklyn on September 19, 1892. I stand to-day where I stood then. I have nothing to add, and nothing to retract.

I will cheerfully vote for the Mills bill, and join with you in making many material reductions of duties therein. I am ready to waive all minor differences of details which do not involve a question of principle.

Having spoken to-day especially upon the income tax feature of this bill, I reserve the expression of my views upon its other features until near the close of the discussion.

CONCLUSION.

Mr. President, this is a important crisis in the history of the Democratic party. The failure of tariff revision at this time means the defeat, the demoralization, if not the division and annihilation of our party. Moreover, it means, as we believe, injury to the best interests of the country. Let those who insist upon injecting into this bill this odious and un-Democratic feature of an income tax—a relic of war legislation—pause and reflect upon the possible consequences of their unwarrantable demands.

They should realize that it means the loss of the control of this Senate, now nearly equally divided between the two great parties; it means the loss of the next House of Representatives; it means the loss of the electoral votes of

New York, New Jersey, Connecticut, and probably every Northern State; and finally, it means the loss of the next Presidency, and all that it implies. They should recollect that this income tax feature is justly regarded in New York and many other Northern States as a scheme of spoliation, an unwarranted sectional attack upon their citizens of means.

They should consider whether there is anything about an income tax so sacred, so desirable, so popular, so just, and so defensible that its maintenance is worth the risk which they are precipitating. Let them remember 1860 and the ultra demands then made upon the Democratic party, to which it could not honorably accede; demands which led to our division and defeat; let them remember the triumphs of our opponents, the civil war that followed, the devastation, the suffering, the humiliation which ensued, the military and carpet-bag governments which flourished, the Force bills which threatened, and all the incidents of the terrible years which darkened our party's and our country's history from 1860 to 1884, when, through wiser counsels, moderate action, conciliatory methods, and restored confidence, we were intrusted with power again; and, reflecting upon all these things, let them say whether it is the part of wisdom, by the insistence upon extreme demands, to imperil the success of our party again, and thereby tend to retard the progress, diminish the glory, and endanger the best and highest interests of our common country.